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TO AMEMBASSY LISBON

C O N F I D E N T I A L STATE 025775

FOLLOWING REPEAT OECD PARIS 30576ACTION SECSTATE DATED 19 DEC 74

QUOTE

C O N F I D E N T I A L OECD PARIS 30576

E.O. 11652: GDS

TAGS: EUR, PO, PFOR, US, EAID

SUBJECT: US ECONOMIC ASSISTANCE TO PORTUGAL

REF: STATE 276695

1. AMBASSADOR TURNER MET WITH PORTUGUESE AMBASSADOR BELLO TODAY AND DISCUSSED WITH HIM THE THOUGHTS CONTAINED IN REFTEL AS INSTRUCTED. AMBASSADOR BELLO EXPRESSED GREAT PLEASURE ON BEHALF OF HIS GOVERNMENT FOR THIS INDICATION OF AMERICAN DESIRE TO ASSIST GOP THROUGH THE OECD. HE INDICATED THE GERMANS HAD RECENTLY EXPRESSED A SIMILAR INTEREST AND HAD REQUESTED THAT PORTUGAL BE PLACED ON A DAC LIST OF NATIONS ELIGIBLE TO RECEIVE DEVELOPMENT ASSISTANCE. BELLO ALSO INDICATED THAT TWO MEMBERS OF MIT FACULTY, WHO HE BELIEVED WERE SPECIALISTS IN ECONOMIC MANAGEMENT, HAD BEEN VERY RECENTLY RETAINED BY OECD FOR A STUDY IN PORTUGAL. HE WAS NOT ENTIRELY CLEAR ON EXACT SOURCE OR CHARACTER OF ANALYSIS TO BE UNDERTAKEN BUT SAID HE WOULD APPRISE US FORTHWITH. WE WERE SUBSEQUENTLY ADVISED BY TECO THAT THEY HAVE CONTRACTED WITH MIT FOR A FOUR-MAN GROUP ON

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A GENERAL ECONOMIC MISSION TO COMMENCE JANUARY 13TH FOR A TWO-WEEK PERIOD.

2. SINCE HE IS LEAVING FOR A TWO-WEEK TRIP TO LISBON ON SATURDAY, BELLO INDICATED HE WOULD REVIEW HIS DETAILED NOTES OF OUR CONVERSATION WITH PORTUGUESE AUTHORITIES AND GET BACK TO AMBASSADOR EARLY THE WEEK OF JANUARY 5. HE EXPRESSED GREAT INTEREST IN A JOINT APPROACH WITH US TO SECRETARY-GENERAL VAN LENNEP AT THAT TIME RE COURSE OF ACTION THAT GOP THOUGHT WOULD BE MOST BENEFICIAL. AMBASSADOR BELLO'S TENTATIVE THINKING, HOWEVER, WAS THAT A COUNCIL WORKING PARTY STUDY MADE SENSE, BUT HE ALSO STRESSED PORTUGAL'S NEED FOR ECONOMIC MANAGEMENT ASSISTANCE GENERALLY, AS WELL AS POSSIBLE AID IN TECHNICAL ASSISTANCE, FISHERIES, AGRICULTURE, AND PERHAPS SOME "OVERVIEW" AREAS OF THE ECONOMY. MISSION WILL REPORT RESULTS OF MEETING WITH AMBASSADOR BELLO WEEK OF JANUARY 5 UPON ITS CONCLUSION.

3. IN SEPARATE MEETING TODAY ON ANOTHER SUBJECT BETWEEN AMBASSADOR TURNER AND SECRETARY-GENERAL VAN LENNEP, THE GENERAL QUESTION OF OECD'S ROLE IN ASSISTANCE TO PORTUGAL WAS RAISED. SECGEN MANIFESTED CONSIDERABLE INTEREST AND SYMPATHY IN WHAT MIGHT BE DONE THROUGH OECD IN THIS REGARD, AND WAS AWARE RECENTLY ANNOUNCED U.S. EFFORTS TOWARDS THIS END. AMBASSADOR LEFT WITH HIM A COPY OF THE PRESS STATEMENT OF THE DEPARTMENT ON ASSISTANCE TO PORTUGAL. VAN LENNEP INDICATED THAT HE WOULD GIVE CAREFUL THOUGHT TO WHAT MODALITIES SUCH ASSISTANCE MIGHT LOGICALLY TAKE AND LATER SAME DAY GAVE US INFORMAL PEPPER QUOTED BELOW. SECGEN HAS ALSO GIVEN PAPER TO PORTUGUESE AMBASSADOR TO OECD WHO LEAVES PARIS FOR CONSULTATIONS LISBON A.M. DECEMBER 2L.

4. BEGIN QUOTE: A POSSIBLE FRAMEWORK FOR OECD SUPPORT TO PORTUGAL.

1. A NUMBER OF MEMBER COUNTRIES HAVE, DURING THE AUTUMN EXPRESSED INTEREST IN FINDING NEW AND CONCRETE WAYS OF COOPERATION WITH PORTUGAL, FOLLOWING THE DEVELOPMENTS THERE IN 1974. SPECIFICALLY, COUNTRIES HAVE SHOWN INTEREST IN EXPLORING HOW SUPPORT TO PORTUGAL MIGHT BE COORDINATED THROUGH OECD. THE POSSIBILITY OF ESTABLISH-

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ING SOME FORM OF CONSULTATIVE GROUP HAS BEEN CANVASSED. MEANWHILE CERTAIN GOVERNMENTS NOTABLY THE UNITED STATES, GERMANY AND THE NETHERLANDS, HAVE NOW ENTERED INTO PRELIMINARY COMMITMENTS TO ASSIST PORTUGAL.

2. ON THE PORTUGUESE SIDE, THE MINISTERS OF FINANCE AND THE ECONOMY REQUESTED THE ORGANISATION TO PROVIDE A GENERAL ECONOMIC MISSION UNDER THE TECHNICAL COOPERATION PROGRAMME. (1) (THIS REQUEST WAS FORMALLY CONFIRMED AT THE MEETING OF THE TECHNICAL COOPERATION

COMMITTEE ON 10TH-11TH OCTOBER, 1974.) THE PRIMARY PURPOSE OF THIS MISSION OF INDEPENDENT EXPERTS IS TO ADVISE THE PORTUGUESE GOVERNMENT ON MEASURES TO BE

TAKEN IN SUCH FIELDS AS MONETARY AND FISCAL POLICY, PUBLIC INVESTMENT, PRICES AND INCOMES, AND EMPLOYMENT. THE MISSION, TO BE LEAD, AT THE REQUEST OF THE PORTUGUESE AUTHORITIES, BY PROFESSOR RICHARD ECKAUS, OF M.I.T., IS SCHEDULED TO COMMENCE IN LISBON ON 13TH JANUARY, 1975.

3. IN ADDITION, THE PORTUGUESE DELEGATION TO THE D.A.C. HIGH LEVEL MEETING IN OCTOBER ANNOUNCED WITHDRAWAL FROM D.A.C., AND THAT PORTUGAL "REGARDED ITSELF AS A COUNTRY WHICH MEETS THE CONDITIONS NECESSARY TO BENEFIT FROM THE ECONOMIC SUPPORT OF THE INTERNATIONAL COMMUNITY"

4. GIVEN THE ABOVE, THE SECRETARY GENERAL SUGGESTS THAT, IF PORTUGAL SO REQUESTS, AN AD HOC WORKING PARTY OF THE COUNCIL CHAIRED BY A HEAD OF DELEGATION BE ESTABLISHED FORTHWITH. THE INITIAL PURPOSE OF THIS WORKING PARTY COULD BE TO PROVIDE, AS OF EARLY JANUARY, AN OPPORTUNITY FOR INTERESTED MEMBER COUNTRIES TO HAVE AN INFORMAL EXCHANGE OF VIEWS ON THEIR RESPECTIVE SUPPORT FOR PORTUGAL, AND ON HOW THIS MIGHT BEST BE COORDINATED WITHIN THE OECD FRAMEWORK ON A CONTINUING BASIS.

5. A FIRST MEETING COULD BE SCHEDULED TO TAKE PLACE BEFORE THE ECONOMIC MISSION STARTS WORK IN JANUARY. ITEMS FOR DISCUSSION MIGHT BE:

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A) INFORMAL EXCHANGE OF INFORMATION ON MEMBER COUNTRIES' AND THE EEC'S COMMITMENTS OR INTENTIONS TO SUPPORT PORTUGAL, AND THEIR UNDERSTANDING OF THE COUNTRY'S ASSISTANCE REQUIREMENTS;
B) POSSIBILITIES FOR SUPPORT IN RESPECT OF PORTUGAL'S OVERSEAS COMMITMENTS;
C) CURRENT OECD ACTIVITIES HAVING A SPECIFIC REFERENCE TO PORTUGAL. THIS COULD INCLUDE THE FORTHCOMING ECONOMIC MISSION, TECHNICAL COOPERATION ACTIVITIES (ABOUT \$400,000 IN 1975 OF WHICH 75 PERCENT IS FINANCED BY PORTUGAL), THE CURRENT AGRICULTURAL POLICY REVIEW, THE FORTHCOMING GENERAL REVIEW OF OECD WORK ON MIGRATION, ONGOING ANALYSIS BY THE ECONOMICS AND STATISTICS DEPARTMENT SINCE THE JULY EDRC REVIEW, AND RELEVANT DISCUSSIONS IN DAC.

6. PROCEDURALLY FOR SUCH AN AD HOC WORKING PARTY TO

BE SET UP, A FORMAL REQUEST BY PORTUGAL WOULD NEED TO
BE MADE IN COUNCIL TOMORROW, AND APPROPRIATE SUPPORT
GIVEN BY MEMBER COUNTRIES. END QUOTE.

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